

HEALTH & HUMAN SERVICES OVERVIEW

Summary of Governor's Proposed 2006-07 Budget

Services provided through Medi-Cal; Healthy Families; CalWORKS; In-Home Supportive Services; Regional Centers; and other programs touch the lives of millions of Californians. Health and Human Services programs provide access to short- and longer-term services and supports that promote the health, well-being, and independent living of our state's most vulnerable children, adults, seniors, and families.

The budget for Health and Human Services proposes a total of \$73.1 billion (\$28.5 billion General Fund) in combined state and federal funds, including expenditures for about 33,674 state employees. This reflects a net increase of \$1.8 million (\$1.2 billion General Fund) over the revised current year which is an increase of about 3 percent.

Key proposals include the following:

- **Looming Federal Budget Cuts.** On or around February 1, 2006, the federal government is expected to enact the federal fiscal year 2006 budget. This budget, called the Deficit Reduction Act of 2005, would result in federal funding reductions for many programs, including CalWORKs, Child Support, Foster Care, Child Welfare, and SSI/SSP. The total annual General Fund impact could approach \$470 million, although the full impact would not be felt until 2008 or 2009.
- **Delay Supplemental Security Income/State Supplementary Payment (SSI/SSP) Federal Cost of Living Adjustment (COLA).** The Governor proposes to delay the 2007 federal SSI/SSP COLA an additional fifteen months, from April 2007 to July 2008. This would result in General Fund savings of \$54 million in 2006-07 and \$215 million in 2007-08. The 2005-06 Budget suspended the state SSI/SSP COLA for 2006 and 2007, and delayed the federal COLA for three months in each of those years. The maximum SSI/SSP grant in 2007 would remain at the April 2006 level, which is \$836 for individuals and \$1,472 for a couple.
- **Extend Deeming Period for Cash Assistance Program for Immigrants (CAPI).** The CAPI program provides income assistance to low-income aged, blind, and disabled legal immigrants who do not qualify for SSI/SSP. The Governor proposes to extend the deeming period from ten to fifteen years for immigrants who entered the country on or after August 22, 1996. During the deeming period, the income and resources of the person sponsoring the non-citizen will be taken into account when determining benefit eligibility. This five year extension results in General Fund savings of \$12.5 million in 2006-07 and \$40 million in 2007-08.
- **Reduce Funding to Counties for CalWORKs Services and Child Care.** The Governor proposes to reduce funding for local CalWORKs programs by a total of \$292 million in current and budget year. Although the budget does not propose any changes to eligibility, work requirements, or grants for CalWORKs clients, the reductions to county programs for CalWORKs employment services, eligibility determination, and child care may affect the state's work participation rate.

- **Reduction to County Eligibility Processing for the Medi-Cal Program.** Counties are responsible for processing all Medi-Cal Program enrollment applications, including those for children as well as seniors and the disabled. The Governor eliminates \$42.4 million (\$21.2 million General Fund) in 2006-07 for County Eligibility Administration which has been historically provided to counties to fully fund the salaries and overhead costs of the Medi-Cal Program eligibility workers.
- **Maintain \$120 million for Proposition 36.** Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA) established sentencing guidelines that allow first or second time nonviolent adult drug offenders to receive drug treatment rather than prison time. To fund these treatment services, SACPA also appropriated \$120 million annually from 2001-02 through 2005-06. The Governor proposes to maintain \$120 million General Fund in 2006-07 for SACPA, but also proposes programmatic changes similar to the drug court model, including jail sanctions, drug testing, and judicial monitoring.
- **Increase Child Welfare Services and Foster Care Funding.** The Governor proposes an additional \$18.3 million General Fund for various child welfare, foster care, and adoptions programs, including \$7.7 million to improve Foster Care Child Relationships (AB 408/AB 1412), \$2.5 million for Kinship Support Services, \$1.0 million for Transitional Housing for Foster Youth (AB 1119), and \$7.1 million for Improving Adoptions Outcomes.
- **Reductions to Adult Day Health Care Program.** A series of proposals are included to reduce and restructure the Adult Day Health Care (ADHC) Program for a total funding reduction of \$19.8 million (\$9.9 million General Fund) in 2006-07 and up to \$128.4 million (total funds) annually. In addition, the moratorium on the certification of new centers to provide ADHC services is continued by the Administration for savings of \$12.1 million (\$6 million General Fund).
- **State Hospitals and the Federal Civil Rights of Institutionalized Persons Act (CRIPA).** Due to significant concerns expressed by the federal government with the operation of the State Hospitals, substantial changes are being proposed by the Administration. The budget proposes an increase of \$43.5 million (\$37.8 million General Fund) and 432 additional positions to address the requirements of CRIPA and to implement a recovery-oriented treatment system.
- **Simplification of the Medi-Cal Redetermination Form.** The Administration is in the process of changing the Medi-Cal redetermination form to make it easier for Medi-Cal enrollees to complete and therefore maintain their enrollment. An increase of \$42.1 million (\$21.1 million General Fund) is provided to reflect an increased caseload of 27,672 enrollees, or an additional 2 percent per month retention rate, due to these form changes. An increase of \$3.3 million (\$1.7 million General Fund) has also been provided for County Medi-Cal Administration processing for these applications.
- **Increasing Medi-Cal and Healthy Families Program Enrollment for Children via Outreach Activities.** The budget includes several strategies to improve the enrollment of uninsured, eligible children into the Medi-Cal and Healthy Families Program. The Medi-Cal Program includes expenditures of \$27.4 million (\$10.5 million General Fund) for this purpose.

- **Expands the Use of Certified Application Assistance Fees to Increase HFP Enrollment.** Historically, the HFP utilized a comprehensive outreach and enrollment process, which included the use of Certified Application Assistants (CAA), public relations, and a media campaign. The budget provides the following adjustments for the CCA outreach approach:
 - Provides \$11.8 million (total funds) to continue the CAA fees which represents an increase of \$5.4 million over the revised current-year.
 - Proposes \$2.5 million (\$2 million General Fund) to create a new incentive program for CAA's.
 - Provides \$26.7 million (total funds) to support anticipated new HFP caseload which is attributed to the CAA efforts. This additional funding would provide enrollment to 33,496 new children.
- **Implementation of Hospital Financing Waiver and SB 1100 (Perata and Ducheny), Statutes of 2005.** The budget includes an additional \$246 million (federal funds) in 2005-06 and \$570.7 million (federal funds) in 2006-07 to reflect implementation of the Hospital Financing Waiver. Due to implementation of the Waiver, state General Fund savings of at least \$149 million are expected for 2006-07 as well.

However, it should be noted that the federal government has not yet approved California's methodology for determining how a "certified public expenditure" (CPE) is calculated. Until this approval is obtained, Public Hospitals, including University of California hospitals, cannot receive supplemental federal fund payments for Disproportionate Share Hospital (DSH) expenditures or Safety Net Care Pool funds.

- **Licensing and Certification Division Staff Increase.** The budget includes an increase of \$17.6 million (total funds) to provide for 141 new state positions to complete required state licensing and federal certification functions, including complaint investigations of nursing homes. These activities would be funded with a newly proposed Licensing and Certification Fund. Trailer bill language to restructure certain licensing and certification requirements, as well as to increase fees paid by healthcare facilities, will be forthcoming from the Administration.
- **Agnews Developmental Center Closure Continuation.** The Administration has provided the Legislature with an update on their plan for the closure of Agnews Developmental Center. This document states that achieving the closure date of June 30, 2007 is contingent upon the Administration's ability to implement three key components—increased community housing, new service models, and the use of state employees in the community. The budget proposes a net increase of \$23.5 million (total funds) over the revised current year for the closure of Agnews.
- **Pandemic Influenza Initiative.** The budget proposes a total increase of \$34.3 million (General Fund) for preparedness strategies related to a pandemic influenza outbreak. No federal funds for this purpose are included in the budget at this time.

- **Increase Funding for Community Care Licensing.** The Governor proposes \$6.7 million (\$6 million General Fund) and 80 new positions to complete required licensing workload and increase visits to facilities. Additional staffing is requested primarily to address a backlog of required visits, as well as to increase the number of random sample licensing visits from 10 percent to 20 percent annually. Other administrative and statutory reforms are proposed to improve the efficiency of the licensing program and increase client protections.

Each of these proposals is discussed in more detail below.